

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Chile

Grain and Feed Annual

Wheat and Corn Annual Report

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Report Highlights:

A greater but lower quality wheat production is expected which will result in increase imports when compared to the previous year. A smaller output of corn will also expand imports in response to the domestic demand.

Executive Summary:

Although a larger harvest is expected, the quality of the production is being affected severely by excess humidity, low gluten content and large percentage of sprouted kernels. As a result the industry expects an increase in imports when compared to the previous year as blending will be necessary to keep a good quality production of flour. Additionally, a larger amount of low quality wheat will be destined for animal consumption.

Abnormal weather during planting season together with a fall in planted area and the side effects of the extensive earthquake damage to the irrigation system in most production areas would likely in a lower production than the previous year output. As a result corn imports are expected to increase again.

Commodities:

Wheat

Production:

Wheat is politically Chile's most important annual crop. There are an estimated 89,000 producers, of which a little over 10,000 producers are in the so-called subsistence group with little or no alternative crops (production). Just over 70,000 are small farmers, 5,000 are medium size producers and less than 3,000 are large producers.

One of the most important factors determining the area of wheat to be planted each year is the economic results of the previous years, as it was indicated by an industry official. Having this in mind together with the difficulties observed in the marketing process during the previous year planted area in 2009 fell when compared to the previous year. Although the planted area fell, output is expected to be larger than the previous year as a result of an increase in yields. Lower fertilizer prices which encouraged farmers to use adequate amounts together with on time cultural practices and good weather conditions in most production areas during the planting season is expected to have a positive effect on yields and total output.

Although a larger harvest is expected, a lower quality production will be obtained. Rain in most production areas during the harvesting period is affecting the quality of the wheat in the main harvesting areas in the Araucania (Temuco), Los Rios (Valdivia) and Los Lagos (Osorno) Regions. Excess humidity, low gluten content, higher content of weed and a significant percentage of sprouted kernels is seriously affecting the quality of the production as it was informed by the millers association. Additionally during the month of March, as a result of the earthquake many roads were damaged limiting the mobility of trucks and harvesting equipment, delaying the harvest activity.

Consumption:

Total human consumption of wheat has been rather stagnant and in line with population increase during the last few years. According to the local bakery association, Chileans consume an average of close to 80 kilos of bread per capita per year, making them the second largest consumers of bread in Latin-America after Mexico. Approximately 25,000 persons are employed in the industry. Domestic feed consumption of wheat has reportedly been expanding the last few years. A fast growing salmon and trout feed industry has become an alternative outlet for some wheat producers' production who have no storage capacity and have to sell their wheat right after harvest.

The milling industry is Chile's main wheat destination. An estimated 85 percent of total wheat supply (domestic production plus imports) is milled for flour. An estimated 80 percent of wheat flour is sold directly and produced by 85 milling facilities nationwide. Industry sources indicate that the wheat produced in Chile is in general of a lower quality than that required by the bread and pasta industry. It is mainly low in protein and the quality varies a lot.

As a result of the lower quality harvest expected, a larger amount of wheat is expected to go for animal consumption. According to the millers a larger amount of wheat will not be suitable for human consumption due to excess humidity and delayed harvests in many production areas.

Trade:

The revised import figures for MY2008 resulted lower than previously estimated due to a fall in demand of wheat and wheat products. For MY2009 imports are expected to grow again in spite of a larger expected harvest as the industry will restore stock levels and a larger amount of higher quality wheat will be necessary to blend with the lower quality domestic harvest, as was indicated by an industry source.

Domestic import decisions are normally driven by price followed by quality, but sometimes price and/or quality take a back seat when a shipload needs to be filled. Under these conditions a higher price may be paid and/or a lower quality accepted for the remaining portion of the shipment. Consequently, although you would expect importers to get wheat from a U.S. supplier when a higher quality product is sought, the supplier in a third country, even with a lower quality product might get the sale.

Argentinean wheat flour imports are presently subject to a provisional antidumping surcharge of 22.2 percent since February 24, 2010. This surcharge has been in effect since Jan 20, 2007 with a 33.1 percent, renewed in May 28, 2007 with 31.1 percent. In Jul 7, 2008 and in Jan 7, 2009, it was renewed again with 30.3 percent.

Policy:

Price Band

Wheat and wheat flour imports are subject to surcharges or discounts outlined in the present price band system. The present values for the floor and ceiling prices are USD\$122 f.o.b. and USD\$142 f.o.b. respectively. These prices will remain fixed until Dec 15, 2010. The floor price is being adjusted downward by 2% a year until 2014, when the price band should disappear as it was agreed to in the FTA agreement with the United States. The reference price is a fixed amount in US dollar per ton and it is published six times a year. The reference price is based on an average of the daily price for the 30 days preceding the date of publication. For the first semester the relevant market is FOB at Argentinean port and for the second semester it is soft red winter wheat #2, FOB Gulf of Mexico. The reference price is determined based on the date of entry of the goods. For wheat flour imports, an additional 56% is applied to the values set under the wheat price band.

Production, Supply and Demand Data Statistics:

Wheat Chile	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Dec 2008			Market Year Begin: Dec 2009			Market Year Begin: Dec 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Harvested	281	281	281	255	270	264			265
Beginning Stocks	545	325	545	236	252	174			191
Production	1,145	1,027	1,145	1,145	1,150	1,267			1,272
MY Imports	761	1,100	684	1,100	1,000	950			900
TY Imports	923	795	795	950	950	690			700
TY Imp. from U.S.	379	400	400	0	400	219			250
Total Supply	2,451	2,452	2,374	2,481	2,402	2,391			2,363
MY Exports	15	0	0	15	0	0			0
TY Exports	14	0	0	15	0	0			0
Feed and Residual	150	150	150	150	150	250			150
FSI Consumption	2,050	2,050	2,050	2,050	2,050	2,050			2,050
Total Consumption	2,200	2,200	2,200	2,200	2,200	2,200			2,200

Ending Stocks	236	252	174	266	202	191			163
Total Distribution	2,451	2,452	2,374	2,481	2,402	2,391			2,363
Yield	4.	4.	4.07	4.	4.	4.8			4.8

Import Trade Matrix

Country	Chile		
Commodity	Wheat		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2008		2009
U.S.	399529	U.S.	219026
Others		Others	
Argentina	222331	Canada	324334
Canada	123083	Argentina	133085
Uruguay	36819	Netherlands	1202
Mexico	10012	Italy	46
Netherlands	1662		
Paraguay	1500		
Total for Others	395407		458667
Others not Listed	25		2454
Grand Total	794961		680175

Commodities:

Corn

Production:

The planting decision of a crop is directly related to the expected return and this in turn depends on several factors, some of which the farmer can not influence. The most important element is the economic result obtained during the last growing season. Other factors are the costs of production, yields and the expected prices of the product, weather and alternative crops are also important for a large number of producers. For MY2010, in spite of the good economic results obtained the previous marketing year a smaller planted area and production resulted, mainly due to other factors like significant increase in the cost of inputs and the access to financing by most producers. Due to the slowly developing financial and economic crisis during last calendar year (2008) most commercial Banks tightened credits.

While the earthquake of February 27, 2010 had no direct affect on this year's crop, there are some side effects. Damage to the irrigation infrastructure has limited the delivery of water to corn plantings, which will affect yields and production. Expected yields were already lower than last year as the cold spring weather delayed the crop development. Industry sources have indicated that 15 to 20 percent of the production could be affected. The industry has also reported some damages in storage facilities and elevators.

Total planted area and production for MY2011 is at this point uncertain as large areas where corn is planted year after year have suffered serious damage to their irrigation systems, nevertheless we estimate in our PS&D table that planted area will be similar to the previous season in MY2011.

Consumption:

Consumption and Trade

The consumption of corn, which until 2007 grew at the same rate as the increase in production of poultry and pigs, started to go down from 2008 on due to an increase in alternative feed. This decline in apparent consumption of corn has no effect on domestic production. However, its effect is large in imports of corn. As production of poultry and pigs, which are the main consumers of corn in Chile, has kept growing, apparently consumption of corn by these industries is being replaced by alternative feed mainly due to high corn prices in the domestic market. Increased imports and consumption of sorghum explains part of the substitution. These increased from 127 thousand MT in 2007 to 536 thousand MT in 2009. Sorghum is imported mainly from Argentina. Balanced feed imports which grew from 121 thousand MT to 284 thousand MT in the same period of time is another alternative the hog and poultry producers are using as alternative feed. Broken corn imports also show significant increases from 2007 to 2009 from 910 MT to over 90 thousand MT.

Within the international suppliers of corn in 2009 Argentina contributed only 54% of imports which is down from close to 80 percent in the past, it continues to have cost/quality advantages as the trucks are loaded directly at the farms and driven across the border to the consumer's (in Chile) storage facilities, thus avoiding the unloading and loading of ships at the port and reducing total transportation costs. Paraguay and Brazil have become important suppliers of corn in Chile. The US contributes 11 percent of total imports of corn.

Production, Supply and Demand Data Statistics:

Corn Chile	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Mar 2009			Market Year Begin: Mar 2010			Market Year Begin: Mar 2011		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Harvested	128	128	128	110	126	123			124
Beginning Stocks	240	304	240	161	299	128			178
Production	1,346	1,190	1,346	1,350	1,260	1,260			1,304
MY Imports	750	1,640	767	1,200	1,511	840			710
TY Imports	779	1,900	740	1,200	1,600	720			700
TY Imp. from U.S.	62	400	78	0	400	100			100
Total Supply	2,336	3,134	2,353	2,711	3,070	2,228			2,192
MY Exports	75	135	125	75	130	150			150
TY Exports	76	200	74	75	180	80			120
Feed and Residual	1,800	2,400	1,800	2,100	2,400	1,600			1,600
FSI Consumption	300	300	300	300	300	300			300
Total Consumption	2,100	2,700	2,100	2,400	2,700	1,900			1,900
Ending Stocks	161	299	128	236	240	178			142
Total Distribution	2,336	3,134	2,353	2,711	3,070	2,228			2,192
Yield	11.	9.	10.5156	12.	10.	10.2439			10.5161

Import Trade Matrix

Country

Chile

Commodity

Corn

Time Period

Jan-Dec

Units:

M.T.

Imports for:	2008		2009
U.S.	244728	U.S.	77944
Others		Others	
Argentina	1122294	Argentina	401393
Brazil	69294	Paraguay	151935
Bolivia	926	Brazil	108385
Paraguay	730	Bolivia	178
Peru	92	Peru	117
Mexico	9		
Total for Others	1193345		662008
Others not Listed	0		17
Grand Total	1438073		739969